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Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 L-03 EUR-12 SS-15
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P 230835Z AUG 77
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC PRIORITY 5332

C O N F I D E N T I A L KINSHASA 7998

E.O. 11652: GDS
TAGS: EFIN, CG
SUBJECT: LATEST INFO RE LONDON BANK AGREEMENT

REF: KINSHASA 7808

1. DURING PAST WEEK AMBASSADOR AND ECON COUNSELOR HAVE HAD SEVER SEPARATE DISCUSSIONS WITH CENTRAL BANK GOVERNOR BOFOSSA AND MINISTER OF PLANNING MULUMBA, DURING WHICH BOTH OFFICIALS EXPRESSED CONCERN ABOUT SLOW IMPLEMENTATION OF LONDON BANK AGREEMENT. COMMON THEME WAS THAT GOZ HAS COMPLIED WITH ITS CONDITIONS BUT THAT BANKS HAVE NOT PROVIDED CONTEMPLATED CREDITS.

2. BOTH MULUMBA AND BOFOSSA REFERRED TO THE $86 MILLION IN BIS BLOCKED ACCOUNT AND TO INTEREST PAYMENTS MADE DIRECTLY TO PRIVATE BANKS AND INDICATED THAT NECESSITY TO MAKE SUCH PAYMENTS WAS KEY REASON FOR LOW IMPORT LEVEL SO FAR THIS YEAR. BOFOSSA STATED THAT IMF STANDBY HAD PROJECTED IMPORTS AT LEVEL OF $70 MILLION MONTHLY BUT THAT ACTUAL IMPORTS WERE ONLY ABOUT $40 MILLION MONTHLY. IMF HAD ESTIMATED THAT LONDON BANK AGREEMENT WOULD PROVIDE APPROXIMATELY $150 MILLION IN CREDITS THIS YEAR WHICH SO FAR HAVE YET TO MATERIALIZE. BOFOSSA REFERRED TO PRESSURE TO UTILIZE $86 MILLION IN BLOCKED ACCOUNT AND STATED THAT OUTSIDE LIMIT FOR REACHING AN AGREEMENT WITH PRIVATE BANKS IS PRIOR TO CONFIDENTIAL

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CONTEMPLATED NOVEMBER 1977 PARIS CLUB MEETING.

3. AUGUST 19 CITIBANK LOCAL REP ANSELL TOLD US THAT HE DOES NOT EXPECT AGREEMENT IN PRINCIPLE UNDER LONDON BANK AGREEMENT TO BE CONCLUDED BEFORE END OF SEPTEMBER AND THAT FINAL AGREEMENTS WILL TAKE SEVERAL ADDITIONAL MONTHS. ANSELL DOES NOT EXPECT ANY CREDITS UNDER LONDON BANK AGREEMENT TO BE AVAILABLE

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BEFORE EARLY 1978.

4. COMMENT: IN ADDITION TO PROBLEM OF COMPARABILITY (SEE REFTEL FOR OUR COMMENTS), WE ARE CONCERNED ABOUT SLOW IMPLEMENTATION OF LONDON BANK AGREEMENT. MULUMBA AND BOFOSSA ARE CERTAINLY CORRECT IN THAT GOZ PAYMENTS OF APPROXIMATELY $160 MILLION IN INTEREST OR PRINCIPAL DIRECTLY TO OR FOR FUTURE BENEFIT OF PRIVATE BANKS, WITHOUT ANY CREDITS OR LOANS FROM BANKS, HAVE LED TO CORRESPONDING REDUCTIONS IN IMPORT LEVELS.

5. WE ARE ALSO CERTAIN THAT BOFOSSA, AS WAS HIS PREDECESSOR, IS UNDER PRESSURE TO UTILIZE FUNDS IN BIS BLOCKED ACCOUNT FOR PURPOSES OTHER THAN THE LONDON BANK AGREEMENT. WE DOUBT THAT HE WILL BE ABLE TO RESIST SUCH PRESSURE FOR AN EXTENDED PERIOD. THEREFORE, IN ADDITION TO PROBLEM OF COMPARABILITY DISCUSSED REFTEL, WE SUGGEST THAT DEPT CONTACT CITIBANK RE PLANS FOR IMPLEMENTATION OF LONDON BANK AGREEMENT AND POSSIBILITY OF BRIDGE FINANCING FROM BANKS DURING INTERIM PERIOD PRIOR TO IMPLE-MENTATION OF AGREEMENT. END COMMENT.
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